

STATEMENT AT EPA HEARING FEBRUARY 20, 2001

Good Morning. My name is Larry Szuhay and I am here on behalf of American Iron and Steel Institute's Clean Water Task Group, on which I serve as Chairman. The AISI Clean Water Task Group has been reviewing the proposed rulemaking and we have some observations that we wish to share at this hearing.

After almost 6 years of review, EPA published proposed revisions to Iron & Steel Effluent Limitation Guidelines (ELGs) on December 27, 2000 and February 14, 2001. Industry has been afforded less than 90 days to review and comment on the published revisions. Attempts by industry to extend the comment period for a reasonable length of time have not been successful. EPA's stated reason for denying a reasonable length comment period is a court-ordered deadline for final rule promulgation of April 2002.

Following are AISI's significant concerns with the proposed rule:

In June of 1995, AISI provided comments on EPA's draft regulatory review of the ELGs. AISI pointed out the many flaws in the preliminary study, highlighted the overstatement of benefits and understatement of costs, and took exception to EPA's conclusion that a revision of these rules was necessary. Now, almost 6 years later and after expending millions of taxpayer dollars and countless hours of industry personnel, many of the points made then are just as valid now.

Further, AISI pointed out in 1995 that water quality-based programs were dictating additional permit requirements for iron and steel discharges and that an extensive effort to revise ELGs was an inefficient use of both EPA and steel industry resources. In fact, there is no reason or need for EPA to propose ELGs revisions to be more stringent than water quality requirements, which is the case in this rulemaking. This is even truer today than in 1995 considering new national level regulation of water quality programs with extensive TMDL requirements, anti-degradation limitations, mixing zone bans, and other initiatives that have considerably strengthened water quality programs. To require costly reductions beyond water quality concerns is simply "treatment for treatment's sake" with little benefit to the environment.

The economic analysis for the proposed rule does not begin to reflect current financial conditions for the industry and needs to be updated. EPA uses data for the 1995-1997 period to perform its economic analysis, but the industry is now facing its most difficult financial conditions in the past 20 years. While some effort is made in the December 27, 2000, preamble to address deteriorating conditions in 1998, the analysis does not begin to address the magnitude of the difficulties currently confronting the industry. Steel imports in 2000 reached 37.8 million tons, near record levels. This level of imports, coupled with a slowing domestic economy, has resulted in American steel companies operating in the range of only 70-75% capacity in early 2001, a level that threatens the financial viability of much of the domestic industry. At least 16 steel companies have filed for protection under bankruptcy laws in the past 3 years. The EPA analysis needs to be redone.

EPA's estimates of the proposed cost of the rule are significantly understated and the benefits from current industry discharge levels are overstated. EPA published an estimate in the preamble to the proposed ELG rule that the proposal will cost the domestic steel industry about \$57-\$61 million on an annualized basis and will yield \$1.1 to \$2.7 million per year in environmental benefits. Even using EPA's published estimates, therefore, costs are wholly disproportionate to benefits with a cost/benefit ratio at levels up to 50 to 1. However, based on a preliminary review of the impacts by industry, it appears that EPA's cost estimates are understated, particularly EPA's estimate of the industry total investment cost of only about \$300 million. AISI believes that the true cost of the rulemaking will far exceed \$100 million on an annualized cost basis, increasing the cost/benefit ratio to levels at least 100 to 1. This true cost, at a minimum, suggests the need for detailed OMB review and approval before final promulgation.

AISI does not believe the economic analysis accompanying the proposed ELG rule begins to address the existing economic condition of the industry or the impact of the proposed effluent limitation guidelines, much less the cumulative impact of other impending environmental regulations applicable to the U.S. steel industry. The disproportionately low economic benefits of the proposed rule raise further questions as to the justification of imposing these rules.

EPA has failed to provide the necessary background information to allow the industry to comment effectively on the proposed rule. EPA has failed to provide an adequate explanation of the basis for the proposed changes and has declined to provide the data necessary to analyze its assumptions and methodologies. Without such information, it is not possible, especially within the short comment period, to understand the rationale for the rule or to provide meaningful comments or to fully understand the implications of the rule. There are potentially thousands of pages of back-up documentation containing data and calculations that AISI has requested but not yet received in this regard. AISI believes that a much longer review period is warranted due to the complexity of the proposed rule and the tardiness and relative inaccessibility of background information, which has truncated an already unreasonably short comment period.

In summary, a longer comment period is needed to provide adequate comments on the proposed rule. The extent of the record, lack of timely access to key documents, lack of providing necessary background materials, the complexity of the analysis, and the introduction of new issues for comment as late as February 14, all suggest the need for a substantial extension of the comment period. AISI does not believe that an extension of the comment period necessarily needs to delay the date for final action, but EPA can and should request an extension of the court-ordered date for final rule promulgation beyond April 2002.